



# State of Connecticut

## SENATE

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SELECT COMMITTEE ON CHILDREN

**MEMBER**  
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EDUCATION COMMITTEE

February 25, 2014

Dear Senator Leone, Representative Tong, Senator Crisco, Representative Luxenberg and the members of the Banks Committee,

Thank you for the opportunity to testify in support of [S.B. No. 226](#) AN ACT CONCERNING INFORMED CONSENT FOR REVERSE MORTGAGE TRANSACTIONS.

I recently read an ABC News story about a Wisconsin couple – Linda and Jim McMahan - who applied for a reverse mortgage in 2005. Linda was under 62 years old, so her name was not included on the reverse mortgage. When her husband died, Linda had no claim to her home of nearly two decades. She lost it. She ended up living in a small apartment a block away from her former dream house.

The McMahans did receive the required counseling before receiving the mortgage and were aware she would no longer be listed, but they were unclear about the process needed to add her name – which would have required another refinancing when she turned 62 as outlined in their mortgage documents.

S.B. 226 aims to better protect seniors - and their loved ones - when a decision is made to enter into reverse mortgage.

This bill requires creditors to get the informed consent for a reverse mortgage from any individual who is not a party to the transaction but who lives with the individual who is a party to the transaction.

The goal of this requirement is to make sure people are advised - in plain, clear, written language - of the consequences of a reverse mortgage.

We want people to be aware – and to not be surprised - when any principal and interest becomes due and payable to the creditor upon the death of a loved one. This informed consent would act as a key safeguard which would help address situations similar to the McMahans.

There are many benefits to reverse mortgages. They enable seniors to live in their homes for the rest of their lives without fear of mortgage payments. But there are some drawbacks to reverse mortgages. Chief among them is that many seniors find them confusing, and some seniors unwittingly agree to a loan without fully understanding the scope of the reverse mortgage.

Bill 226 aims to provide clarity and to lessen the confusion. We all want to protect our seniors. This bill is a step forward.

Sincerely,

Art Linares  
State Senator